

**Tennessee Board of Regents
Nashville State Technical Institute**

**For the Years Ended
June 30, 1999, and June 30, 1998**

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

October 18, 2000

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable Charles W. Manning, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217
and
Dr. George Van Allen, President
Nashville State Technical Institute
120 White Bridge Road
Nashville, Tennessee 37209

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Nashville State Technical Institute, for the years ended June 30, 1999, and June 30, 1998. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance resulted in no audit findings.

Sincerely,

John G. Morgan
Comptroller of the Treasury

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State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Nashville State Technical Institute
For the Years Ended June 30, 1999, and June 30, 1998

AUDIT OBJECTIVES

The objectives of the audit were to consider the institute's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, contracts, and grants; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

AUDIT FINDINGS

The audit report contains no findings.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, which contains all findings, recommendations, and management comments, please contact

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Audit Report
Tennessee Board of Regents
Nashville State Technical Institute
For the Years Ended June 30, 1999, and June 30, 1998

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**Tennessee Board of Regents
Nashville State Technical Institute
For the Years Ended June 30, 1999, and June 30, 1998**

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Tennessee Board of Regents, Nashville State Technical Institute. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any state governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

In March 1963, the Tennessee General Assembly passed House Bill 633, authorizing the establishment of a statewide system of area vocational-technical schools and regional technical schools. Nashville State Technical Institute opened on White Bridge Road in the fall of 1970. Until 1983, the institute operated under the Tennessee State Board of Vocational Education through the Tennessee Department of Education, Division of Vocational-Technical Education. The 93rd General Assembly transferred the institute to the Tennessee Board of Regents July 1, 1983.

The institute offers two-year, college-level programs and certificates to prepare adults for employment as technicians in career areas. The programs lead to an Associate of Applied Science degree. Also, the institute offers special programs and courses to meet the needs of industry, business, and government.

ORGANIZATION

The governance of Nashville State Technical Institute is vested in the Tennessee Board of Regents. The Governor, the Commissioner of Education, the Commissioner of Agriculture, and the Director of the Tennessee Higher Education Commission serve *ex officio* on this board. The chief administrative officer of the institute is the president, who is assisted and advised by members of the faculty and administrative staff.

AUDIT SCOPE

The audit was limited to the period July 1, 1997, through June 30, 1999, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the years ended June 30, 1999, and June 30, 1998. Nashville State Technical Institute is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the institute's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
2. to determine compliance with certain provisions of laws, regulations, contracts, and grants;
3. to determine the fairness of the presentation of the financial statements; and
4. to recommend appropriate actions to correct any deficiencies.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The institute filed its report with the Department of Audit on March 22, 1999. A follow-up of the prior audit finding was conducted as part of the current audit.

RESOLVED AUDIT FINDING

The current audit disclosed that the institute has corrected the previous audit finding concerning internal controls over bookstore purchases and use of institute vehicles.

OBSERVATIONS AND COMMENTS

TITLE IX OF THE EDUCATION AMENDMENTS OF 1972

Tennessee Code Annotated, Section 4-4-123, requires each state governmental entity subject to the requirements of Title IX of the Education Amendments of 1972 to submit an annual Title IX compliance report and implementation plan to the Department of Audit by June 30, 1999, and each June 30 thereafter. The institute did not file its compliance report and implementation plan by June 30, 1999, in violation of this statutory requirement.

Title IX of the Education Amendments of 1972 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no one receiving benefits under a federally funded education program and activity is discriminated against on the basis of gender. The untimely filing of the compliance report and implementation plan required by state law does not necessarily mean that the institute is not in compliance with the federal law.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the institute's financial statements for the years ended June 30, 1999, and June 30, 1998, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted government auditing standards. Consideration of internal control over financial reporting disclosed no material weaknesses.

Compliance

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the institute's financial statements.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT

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**Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance With
*Government Auditing Standards***

July 31, 2000

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the financial statements of Nashville State Technical Institute, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of and for the years ended June 30, 1999, and June 30, 1998, and have issued our report thereon dated July 31, 2000. We conducted our audit in accordance with generally accepted government auditing standards.

Compliance

As part of obtaining reasonable assurance about whether the institute's financial statements are free of material misstatement, we performed tests of the institute's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Honorable John G. Morgan
July 31, 2000
Page Two

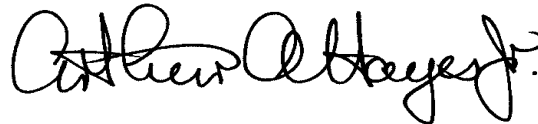
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the institute's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control over financial reporting, which we have reported to the institute's management in a separate letter.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

A handwritten signature in black ink, reading "Arthur A. Hayes, Jr." with a stylized, cursive script.

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/mb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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Independent Auditor's Report

July 31, 2000

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying balance sheets of Nashville State Technical Institute, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of June 30, 1999, and June 30, 1998, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the years then ended. These financial statements are the responsibility of the institute's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

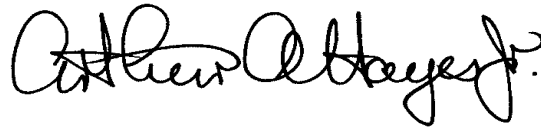
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, Nashville State Technical Institute, as of June 30, 1999, and June 30, 1998, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the years then ended in conformity with generally accepted accounting principles.

The Honorable John G. Morgan
July 31, 2000
Page Two

As discussed in Note 11 to the financial statements, the institute implemented GASB 16, *Accounting for Compensated Absences*, in conformity with generally accepted accounting principles. Also, as discussed in Note 10, the institute changed the threshold for capitalizing equipment.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2000, on our consideration of the institute's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Sincerely,

A handwritten signature in black ink, reading "Arthur A. Hayes, Jr." with a stylized flourish at the end.

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/mb

TENNESSEE BOARD OF REGENTS
NASHVILLE STATE TECHNICAL INSTITUTE
BALANCE SHEETS
JUNE 30, 1999, AND JUNE 30, 1998

	<u>June 30, 1999</u>	<u>June 30, 1998</u>		<u>June 30, 1999</u>	<u>June 30, 1998</u>
<u>ASSETS</u>			<u>LIABILITIES AND FUND BALANCES</u>		
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
General:			General:		
Cash (Note 2)	\$ 1,962,415.51	\$ 2,175,414.95	Liabilities:		
Accounts receivable (net of allowance of \$66,656.47 at June 30, 1999, and \$76,817.40 at June 30, 1998)	267,621.01	285,622.61	Accounts payable	\$ 398,710.40	\$ 356,552.99
Due from restricted current funds	376,152.67	-	Accrued liabilities	586,157.45	541,546.77
Due from unexpended plant	-	7,630.16	Deferred revenue	752,681.75	612,807.50
Prepaid expenses	38,619.38	27,058.47	Compensated absences	561,737.18	458,402.97
			Other liabilities	121,344.88	146,785.39
			Total liabilities	2,420,631.66	2,116,095.62
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	237,808.75	194,975.33
			Allocation for encumbrances	67,322.01	107,023.34
			Allocation for designated state appropriations	70.71	263.33
			Discretionary allocations:		
			Allocation for subsequent budget	-	527,340.00
			Allocation for student activity fees	-	2,307.03
			Allocation for remedial/developmental progra	442,670.00	-
			Allocation for compensated absences	(561,737.48)	(458,402.97)
			Unallocated	38,042.92	6,124.51
			Total fund balances	224,176.91	379,630.57
Total general	2,644,808.57	2,495,726.19	Total general	2,644,808.57	2,495,726.19
Auxiliary enterprises:			Auxiliary enterprises:		
Cash (Note 2)	409,325.19	-	Fund balances:		
Accounts receivable	15,370.32	14,842.03	Nondiscretionary allocation:		
Due from unexpended plant	-	272,547.92	Allocation for working capital	15,370.22	14,842.03
			Discretionary allocation:		
			Allocation for contingencies	7,266.62	7,484.88
			Unallocated	402,058.67	265,063.04
Total auxiliary enterprises	424,695.51	287,389.95	Total auxiliary enterprises	424,695.51	287,389.95
Total unrestricted	3,069,504.08	2,783,116.14	Total unrestricted	3,069,504.08	2,783,116.14
Restricted:			Restricted:		
Accounts and grants receivable	788,487.77	492,016.79	Liabilities:		
Due from unexpended plant	-	46,788.51	Accounts payable	8,992.43	25,511.83
			Accrued liabilities	13,635.80	8,465.57
			Due to unrestricted current funds	376,152.67	-
			Compensated absences	92,672.63	55,218.69
			Total liabilities	491,453.53	89,196.09
			Fund balance	297,034.24	449,609.21
Total restricted	788,487.77	538,805.30	Total restricted	788,487.77	538,805.30
Total current funds	\$ 3,857,991.85	\$ 3,321,921.44	Total current funds	\$ 3,857,991.85	\$ 3,321,921.44
Loan funds:			Loan funds:		
Cash (Note 2)	\$ 1,008.90	\$ -	Fund balance:		
Due from unexpended plant	-	1,008.90	Unrestricted	\$ 1,008.90	\$ 1,008.90
Total loan funds	\$ 1,008.90	\$ 1,008.90	Total loan funds	\$ 1,008.90	\$ 1,008.90
Endowment and similar funds:			Endowment and similar funds:		
Cash (Note 2)	\$ 4,739.67	\$ 4,739.67	Fund balance:		
			Endowment	\$ 4,739.67	\$ 4,739.67
Total endowment and similar funds	\$ 4,739.67	\$ 4,739.67	Total endowment and similar funds	\$ 4,739.67	\$ 4,739.67

TENNESSEE BOARD OF REGENTS
NASHVILLE STATE TECHNICAL INSTITUTE
BALANCE SHEETS
JUNE 30, 1999, AND JUNE 30, 1998

	June 30, 1999	June 30, 1998		June 30, 1999	June 30, 1998
<u>ASSETS</u>			<u>LIABILITIES AND FUND BALANCES</u>		
Plant funds:			Plant funds:		
Unexpended plant:			Unexpended plant:		
Cash (Note 2)	\$ 240,253.34	\$ 818,113.29	Liabilities:		
			Accounts payable	\$ -	\$ 16,128.80
			Due to unrestricted current funds - general	-	7,630.16
			Due to auxiliary enterprises	-	272,547.92
			Due to restricted current funds	-	46,788.51
			Due to loan funds	-	1,008.90
			Due to renewals and replacements	-	51,972.38
			Total liabilities	-	396,076.67
			Fund balance:		
			Unrestricted (Note 4)	240,253.34	422,036.62
Total unexpended plant	240,253.34	818,113.29	Total unexpended plant	240,253.34	818,113.29
Renewals and replacements:			Renewals and replacements:		
Cash (Note 2)	1,785,249.40	1,955,291.06	Liabilities:		
Due from unexpended plant	-	51,972.38	Accounts payable	17,515.01	-
Other assets	318.40	14,163.72	Fund balance:		
			Unrestricted (Note 4)	1,768,052.79	2,021,427.16
Total renewals and replacements	1,785,567.80	2,021,427.16	Total renewals and replacements	1,785,567.80	2,021,427.16
Investment in plant:			Investment in plant:		
Land	402,740.00	402,740.00	Fund balance:		
Buildings	13,002,573.75	13,002,573.75	Net investment in plant	25,516,688.61	24,834,268.49
Improvements other than buildings	779,523.95	779,523.95			
Equipment	8,494,397.02	7,847,603.90			
Library books	2,075,472.00	2,016,912.00			
Other library holdings	672,755.00	748,926.00			
Construction in progress	89,226.89	35,988.89			
Total investment in plant	25,516,688.61	24,834,268.49	Total investment in plant	25,516,688.61	24,834,268.49
Total plant funds	\$ 27,542,509.75	\$ 27,673,808.94	Total plant funds	\$ 27,542,509.75	\$ 27,673,808.94
Agency funds:			Agency funds:		
Foundation funds:			Foundation funds:		
Cash (Note 2)	\$ 131,844.12	\$ 117,469.59	Liabilities:		
Investments (Note 3)	962.22	-	Accounts payable	\$ -	\$ 15.33
Accounts receivable	2,855.95	7,240.10	Deposits held in custody for foundation	140,312.29	124,694.36
Other assets	4,650.00	-			
Total foundation funds	140,312.29	124,709.69	Total foundation funds	140,312.29	124,709.69
Nonfoundation funds:			Nonfoundation funds:		
Cash (Note 2)	1,658,279.43	1,499,781.83	Liabilities:		
Accounts receivable	4,750.10	-	Accounts payable	145.00	-
			Deposits held in custody for others	1,662,884.53	1,499,781.83
Total nonfoundation funds	1,663,029.53	1,499,781.83	Total nonfoundation funds	1,663,029.53	1,499,781.83
Total agency funds	\$ 1,803,341.82	\$ 1,624,491.52	Total agency funds	\$ 1,803,341.82	\$ 1,624,491.52

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
NASHVILLE STATE TECHNICAL INSTITUTE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1999

	Current Funds		Loan Fund	Endowment and Similar Funds	Plant Funds		
	Unrestricted	Restricted			Unexpended Plant	Renewals and Replacements	Investment In Plant
REVENUES AND OTHER ADDITIONS							
Unrestricted current fund revenues	\$ 17,762,440.14	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	145,332.56	-	-	-	-	-	-
State appropriations	-	93,125.00	-	-	90,896.06	-	-
Federal grants and contracts	-	3,554,457.08	-	-	-	-	-
State grants and contracts	-	486,011.34	-	-	-	-	-
Private gifts, grants, and contracts	-	1,079,561.86	-	-	-	-	-
Endowment income	-	236.44	-	-	-	-	-
Investment income	-	-	-	-	17,619.00	66,198.77	-
Equipment use charges	-	-	-	-	-	214,250.00	-
Expended for plant facilities (including \$781,018.33 charged to current fund expenditures)	-	-	-	-	-	-	1,147,141.22
Other	-	14,465.56	-	-	10,000.00	-	-
Total revenues and other additions	17,907,772.70	5,227,857.28	-	-	118,515.06	280,448.77	1,147,141.22
EXPENDITURES AND OTHER DEDUCTIONS							
Educational and general expenditures	17,917,893.80	5,249,889.79	-	-	-	-	-
Auxiliary enterprise expenditures	247.00	-	-	-	-	-	-
Indirect costs recovered	-	108,287.81	-	-	-	-	-
Refunded to grantors	-	12,829.22	-	-	-	-	-
Expended for plant facilities	-	-	-	-	53,238.00	312,884.89	-
Expended for noncapital items	-	-	-	-	307,707.28	130,413.25	-
Disposal of plant facilities	-	-	-	-	-	-	386,491.17
Library holdings revaluation	-	-	-	-	-	-	78,229.93
Other	-	9,425.43	-	-	37,658.06	-	-
Total expenditures and other deductions	17,918,140.80	5,380,432.25	-	-	398,603.34	443,298.14	464,721.10
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)							
Nonmandatory:							
Unexpended plant	-	-	-	-	98,305.00	(98,305.00)	-
Renewals and replacements	(7,780.00)	-	-	-	-	7,780.00	-
Total transfers	(7,780.00)	-	-	-	98,305.00	(90,525.00)	-
Net increase (decreases) for the year	(18,148.10)	(152,574.97)	-	-	(181,783.28)	(253,374.37)	682,420.12
Fund balances at beginning of year	667,020.52	449,609.21	1,008.90	4,739.67	422,036.62	2,021,427.16	24,834,268.49
Fund balances at end of year	\$ 648,872.42	\$ 297,034.24	\$ 1,008.90	\$ 4,739.67	\$ 240,253.34	\$ 1,768,052.79	\$ 25,516,688.61

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
NASHVILLE STATE TECHNICAL INSTITUTE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1998

	Current Funds		Loan Fund	Endowment and Similar Funds	Plant Funds		
	Unrestricted	Restricted			Unexpended Plant	Renewals and Replacements	Investment In Plant
REVENUES AND OTHER ADDITIONS							
Unrestricted current fund revenues	\$ 15,974,731.29	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	149,697.47	-	-	-	-	-	-
State appropriations	-	90,100.00	-	-	227,313.07	-	-
Federal grants and contracts	-	2,929,882.77	-	-	-	-	-
State grants and contracts	-	333,200.51	-	-	-	-	-
Private gifts, grants, and contracts	-	768,321.85	-	-	-	-	-
Endowment income	-	284.53	-	-	-	-	-
Investment income	-	-	-	-	26,045.45	77,135.96	-
Equipment use charges	-	-	-	-	-	211,990.00	-
Expended for plant facilities (including \$396,252.72 charged to current fund expenditures)	-	-	-	-	-	-	919,780.44
Other	-	62.50	-	-	-	-	500.00
Total revenues and other additions	16,124,428.76	4,121,852.16	-	-	253,358.52	289,125.96	920,280.44
EXPENDITURES AND OTHER DEDUCTIONS							
Educational and general expenditures	15,600,491.68	4,013,008.98	-	-	-	-	-
Auxiliary enterprise expenditures	5,273.79	-	-	-	-	-	-
Indirect costs recovered	-	183,697.34	-	-	-	-	-
Refunded to grantors	-	1,186.96	-	-	-	-	-
Expended for plant facilities	-	-	-	-	-	523,527.72	-
Expended for noncapital items	-	-	-	-	312,631.69	163,830.15	-
Disposal of plant facilities	-	-	-	-	-	-	288,061.38
Library holdings revaluation	-	-	-	-	-	-	229,136.45
Other	-	21.57	-	-	-	-	-
Total expenditures and other deductions	15,605,765.47	4,197,914.85	-	-	312,631.69	687,357.87	517,197.83
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)							
Nonmandatory:							
Unexpended plant	(125,000.00)	-	-	-	125,000.00	-	-
Renewals and replacements	(406,900.00)	-	-	-	(24,000.00)	430,900.00	-
Total transfers	(531,900.00)	-	-	-	101,000.00	430,900.00	-
Net increases (decreases) for the year	(13,236.71)	(76,062.69)	-	-	41,726.83	32,668.09	403,082.61
Fund balances at beginning of year (Note 11)	680,257.23	525,671.90	1,008.90	4,739.67	380,309.79	1,988,759.07	25,094,588.28
Cumulative effect of change in accounting principle (Note 10)	-	-	-	-	-	-	(663,402.40)
Fund balances at beginning of year, as restated	680,257.23	525,671.90	1,008.90	4,739.67	380,309.79	1,988,759.07	24,431,185.88
Fund balances at end of year	\$ 667,020.52	\$ 449,609.21	\$ 1,008.90	\$ 4,739.67	\$ 422,036.62	\$ 2,021,427.16	\$ 24,834,268.49

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
NASHVILLE STATE TECHNICAL INSTITUTE
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1999

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>REVENUES</u>			
Tuition and fees	\$ 6,040,400.19	\$ -	\$ 6,040,400.19
State appropriations	11,091,600.00	93,235.85	11,184,835.85
Federal grants and contracts	1,284.00	3,376,351.15	3,377,635.15
State grants and contracts	33,732.45	587,102.19	620,834.64
Local grants and contracts	10,000.00	-	10,000.00
Private gifts, grants, and contracts	327,189.41	1,193,200.60	1,520,390.01
Investment income	179,883.71	-	179,883.71
Sales and services of auxiliary enterprises	145,332.56	-	145,332.56
Other sources	78,350.38	-	78,350.38
Total current revenues	<u>17,907,772.70</u>	<u>5,249,889.79</u>	<u>23,157,662.49</u>
<u>EXPENDITURES AND TRANSFER</u>			
Educational and general:			
Expenditures:			
Instruction	10,906,629.73	2,217,252.68	13,123,882.41
Public service	338,495.66	416,558.29	755,053.95
Academic support	995,876.93	272,691.44	1,268,568.37
Student services	2,206,206.89	81,443.84	2,287,650.73
Institutional support	1,924,800.67	773.02	1,925,573.69
Operation and maintenance of plant	1,220,267.25	-	1,220,267.25
Scholarships and fellowships	325,616.67	2,261,170.52	2,586,787.19
Total educational and general expenditures	<u>17,917,893.80</u>	<u>5,249,889.79</u>	<u>23,167,783.59</u>
Auxiliary enterprises:			
Expenditures	247.00	-	247.00
Nonmandatory transfer for:			
Renewals and replacements	7,780.00	-	7,780.00
Total auxiliary enterprises	<u>8,027.00</u>	<u>-</u>	<u>8,027.00</u>
Total expenditures and transfer	<u>17,925,920.80</u>	<u>5,249,889.79</u>	<u>23,175,810.59</u>
<u>OTHER DEDUCTIONS</u>			
Excess of transfers to revenues over			
restricted receipts	-	(22,032.51)	(22,032.51)
Indirect costs recovered	-	(108,287.81)	(108,287.81)
Refunded to grantors	-	(12,829.22)	(12,829.22)
Other deduction	-	(9,425.43)	(9,425.43)
Net decreases in fund balances	<u>\$ (18,148.10)</u>	<u>\$ (152,574.97)</u>	<u>\$ (170,723.07)</u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
NASHVILLE STATE TECHNICAL INSTITUTE
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1998

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>REVENUES</u>			
Tuition and fees	\$ 5,454,994.73	\$ -	\$ 5,454,994.73
State appropriations	9,864,300.00	90,202.45	9,954,502.45
Federal grants and contracts	9,819.17	2,841,837.53	2,851,656.70
State grants and contracts	66,612.59	323,956.90	390,569.49
Private gifts, grants, and contracts	304,226.87	757,012.10	1,061,238.97
Investment income	212,859.84	-	212,859.84
Sales and services of auxiliary enterprises	149,697.47	-	149,697.47
Other sources	61,918.09	-	61,918.09
Total current revenues	<u>16,124,428.76</u>	<u>4,013,008.98</u>	<u>20,137,437.74</u>
<u>EXPENDITURES AND TRANSFERS</u>			
Educational and general:			
Expenditures:			
Instruction	9,694,494.71	1,595,165.74	11,289,660.45
Public service	32,838.03	343,640.32	376,478.35
Academic support	817,923.64	81,784.93	899,708.57
Student services	1,912,652.02	84,980.95	1,997,632.97
Institutional support	1,718,570.03	58.25	1,718,628.28
Operation and maintenance of plant	1,073,747.93	-	1,073,747.93
Scholarships and fellowships	350,265.32	1,907,378.79	2,257,644.11
Total educational and general expenditures	15,600,491.68	4,013,008.98	19,613,500.66
Nonmandatory transfers for:			
Unexpended plant	125,000.00	-	125,000.00
Renewals and replacements	400,000.00	-	400,000.00
Total educational and general	<u>16,125,491.68</u>	<u>4,013,008.98</u>	<u>20,138,500.66</u>
Auxiliary enterprises:			
Expenditures			
Nonmandatory transfer for:	5,273.79	-	5,273.79
Renewals and replacements	6,900.00	-	6,900.00
Total auxiliary enterprises	<u>12,173.79</u>	<u>-</u>	<u>12,173.79</u>
Total expenditures and transfers	<u>16,137,665.47</u>	<u>4,013,008.98</u>	<u>20,150,674.45</u>
<u>OTHER ADDITION (DEDUCTIONS)</u>			
Excess of restricted receipts over transfers to revenues	-	108,843.18	108,843.18
Indirect costs recovered	-	(183,697.34)	(183,697.34)
Refunded to grantors	-	(1,186.96)	(1,186.96)
Other deduction	-	(21.57)	(21.57)
Net decreases in fund balances	<u>\$ (13,236.71)</u>	<u>\$ (76,062.69)</u>	<u>\$ (89,299.40)</u>

The notes to the financial statements are an integral part of this statement.

**Tennessee Board of Regents
Nashville State Technical Institute
Notes to the Financial Statements
June 30, 1999, and June 30, 1998**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The institute is part of the State University and Community College System of Tennessee (Tennessee Board of Regents). This system is a component unit of the State of Tennessee because the state appoints a majority of the system's governing body and provides financial support; the system is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

Basis of Presentation

The financial statements of the institute have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The institute uses the AICPA College Guide model for accounting and financial reporting.

Basis of Accounting

The financial statements of the institute have been prepared on the accrual basis, except that depreciation on plant assets is not recorded and revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the term is predominantly conducted. All restricted resources are recorded as additions to the fund balances of the appropriate fund groups. Restricted current resources are then recorded as revenues during the period in which they are expended. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the funds are accounted for as expenditures, for normal replacement of movable equipment and library holdings, and nonmandatory transfers, for all other cases.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available, the institute maintains accounts in accordance with the principles of fund accounting. With this procedure, resources for various purposes are classified for accounting and reporting purposes into funds for specified activities or objectives. Separate accounts are maintained for each fund; however, in

**Tennessee Board of Regents
Nashville State Technical Institute
Notes to the Financial Statements (Cont.)
June 30, 1999, and June 30, 1998**

the accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds which are allocated to specific purposes by the governing board. Externally restricted funds may be used only in accordance with the purposes established by the source of such funds and contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds. This income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds. All other unrestricted revenue is accounted for in the unrestricted current funds. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Current Funds

Unrestricted current funds consist of those funds over which the institute retains full control for use in achieving any of its authorized institutional purposes. Auxiliary enterprises activities are included in unrestricted current funds and include the bookstore and payphones. Restricted current funds are externally restricted and may be used only in accordance with the purposes established by their source.

Loan Funds

Loan funds consist of resources made available for student loans.

Endowment and Similar Funds

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be used.

**Tennessee Board of Regents
Nashville State Technical Institute
Notes to the Financial Statements (Cont.)
June 30, 1999, and June 30, 1998**

Plant Funds

The plant funds group consists of (1) funds set aside for the acquisition of physical properties for institutional purposes; (2) funds set aside for the renewal and replacement of institutional properties; and (3) funds expended for, and thus invested in, institutional properties.

Agency Funds

In handling these funds, the institute acts solely as an agent; consequently, transactions of these funds do not affect the institute's operating statements.

Compensated Absences

The institute's employees accrue annual leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time. The amount of these liabilities and their related benefits are recorded in the current funds. Since the liability is expected to be funded primarily from future unrestricted and restricted revenue sources, a related allocation has been made to the current fund balances so that these fund balances reflect current available funds.

Allocation for Working Capital

The unrestricted fund balance is allocated for the amount of working capital. "Working capital" is defined as the total of all petty cash, accounts receivable, inventories, and prepaid expenses in the unrestricted fund at the balance sheet date, except for student receivables credited to deferred revenue, accrued interest, and amounts due on federal letters of credit, less the accrued benefits on accrued faculty salaries.

Plant Assets

The physical plant and equipment are stated at cost at date of purchase or at fair value at date of donation. The institute has adopted a policy of capitalizing all interest costs funded by Tennessee State School Bond Authority indebtedness. All other interest costs are expensed. Library books are valued at \$48 per volume, and other library holdings are valued at various standardized values which approximate current costs. Depreciation on the physical plant and equipment is not recorded.

In the case of service departments, the institute charges renewal and replacement of plant assets to current expenditures; these charges are also reported as additions to funds for renewals and replacements.

**Tennessee Board of Regents
Nashville State Technical Institute
Notes to the Financial Statements (Cont.)
June 30, 1999, and June 30, 1998**

Under a contract with the Tennessee Department of Labor, the institute is the lead institution and grant recipient for the Job Training Partnership Act in service delivery areas 8 and 9 of the State of Tennessee. The title to all the equipment purchased by the institute under the provisions of the act resides with the U. S. Department of Labor. Therefore, this equipment is not included in the institute's plant fund assets.

Nashville Tech Foundation

The college is the sole beneficiary of the Nashville Tech Foundation. This private, nonprofit foundation is controlled by a board independent of the institute. The financial records, investments, and other financial transactions are handled by the institute, and the assets and liabilities of the foundation are included in the agency funds on the institute's balance sheet.

NOTE 2. DEPOSITS

Deposits with financial institutions are required to be categorized to indicate the level of risk assumed by the institute. Category 1 consists of deposits that are insured or collateralized with securities held by the institute or by its agent in the institute's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the institute's name. Category 3 deposits are uncollateralized. This category includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the institute's name.

Some of the institute's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 1999, the carrying amount of the institute's deposits was \$1,094,125.70, and the bank balance including accrued interest was \$1,554,618.47. Of the bank balance, \$1,530,935.75 was category 1, and \$23,682.72 was category 3.

**Tennessee Board of Regents
Nashville State Technical Institute
Notes to the Financial Statements (Cont.)
June 30, 1999, and June 30, 1998**

At June 30, 1998, the carrying amount of the institute's deposits was \$86,498.48, and the bank balance including accrued interest was \$451,710.40. The bank balance was category 1.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. Tennessee Board of Regents policies require that the market value of collateral pledged equal 105% of the uninsured deposits.

The institute also has deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is part of the Pooled Investment Fund. The fund's investment policy and custodial credit risk are presented in the *Tennessee Comprehensive Annual Financial Report*.

NOTE 3. INVESTMENTS

The Nashville Tech Foundation is authorized to invest funds in accordance with its board of directors' policies. All investments permitted to be reported at fair value under GASB Statement 31 are reported at fair value, including those with a maturity date of one year or less at the time of purchase. The foundation's investments at June 30, 1999, consisted of stock with a fair value of \$962.22 which was held by the foundation.

NOTE 4. PLANT FUND ENCUMBRANCES

Plants fund encumbrances outstanding at June 30, 1999, amounted to \$20,048.12 for renewals and replacements. Plant fund encumbrances outstanding at June 30, 1998, amounted to \$128,641.61 for unexpended plant and \$3,943.00 for renewals and replacements.

NOTE 5. PENSION PLANS

A. Defined Benefit Plan

Tennessee Consolidated Retirement System

Plan Description - The institute contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEPP), a cost-sharing,

**Tennessee Board of Regents
Nashville State Technical Institute
Notes to the Financial Statements (Cont.)
June 30, 1999, and June 30, 1998**

multiple-employer, defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEPP. That report may be obtained by writing to the Tennessee Department of the Treasury, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230, or by calling (615) 741-8202.

Funding Policy - Plan members are noncontributory. The institute is required to contribute an actuarially determined rate. The current rate is 5.43% of annual covered payroll. Contribution requirements for the institute are established and may be amended by the TCRS' Board of Trustees. The institute's contributions to TCRS for the years ended June 30, 1999, 1998, and 1997, were \$437,195.89, \$201,690.96, and \$431,405.36. Contributions met the requirements for each year.

B. Defined Contribution Plans

Optional Retirement Plans (ORP)

Plan Description - The institute contributes to three defined contribution plans: Teachers Insurance and Annuity Association—College Retirement Equities Fund (TIAA-CREF), Aetna Life Insurance and Annuity Company, and Variable Annuity Life Insurance Company (VALIC). These plans are administered by the Tennessee Department of the Treasury. Each plan provides retirement benefits to faculty and staff who are exempt from the overtime provisions of the Fair Labor Standards Act and who waive membership in the TCRS. Benefits depend solely on amounts contributed to the plan plus investment earnings. Plan provisions are established by state statute in Title 8, Chapter 35, Part 4, *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly.

Funding Policy - Plan members are noncontributory. The institute contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. Contribution

**Tennessee Board of Regents
Nashville State Technical Institute
Notes to the Financial Statements (Cont.)
June 30, 1999, and June 30, 1998**

requirements are established and amended by state statute. The contribution made by the institute to the plans for the year ended June 30, 1999, was \$270,874.12, and for the year ended June 30, 1998, was \$292,859.86. Contributions met the requirements for each year.

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS

The State of Tennessee administers a group health insurance program which provides post-employment health insurance benefits to eligible institute retirees. This benefit is provided and administered by the State of Tennessee. The institute assumes no liability for retiree health care programs. Information related to this plan is available at the statewide level in the *Tennessee Comprehensive Annual Financial Report*.

NOTE 7. INSURANCE-RELATED ACTIVITIES

The state purchases commercial insurance for real property losses above \$5 million per year and surety bond coverage on the state's officials and employees. During the year ended June 30, 1999, the state incurred losses in Clarksville and Jackson due to damage from tornadoes. Final settlement has not been made but is expected to be approximately \$6 million. In the prior two fiscal years, the state had not had any claims filed with the commercial insurer. A designation for casualty losses in the amount of \$8.219 million has been established in the state's general fund to provide for any property losses not covered by the commercial insurance.

At June 30, 1999, the scheduled coverage for the institute was \$24,169,600 for buildings and \$13,811,500 for contents. At June 30, 1998, the scheduled coverage was \$23,154,700 for buildings and \$13,825,500 for contents.

The state has set aside assets for claim settlement in an internal service fund, the Claims Award Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automotive liability, professional malpractice, and workers' compensation. The institute participates in the Claims Award Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the institute based on a percentage of the institute's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and

**Tennessee Board of Regents
Nashville State Technical Institute
Notes to the Financial Statements (Cont.)
June 30, 1999, and June 30, 1998**

premium allocation. Since the institute participates in the Claims Award Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the institute for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Claims Award Fund.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The institute participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the institute based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Sick Leave - The institute records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was \$3,485,543.45 at June 30, 1999, and \$3,809,801.20 at June 30, 1998.

Operating Leases - The institute has entered into various operating leases for equipment. Such leases will probably continue to be required. Expenditures under operating leases were \$63,427.95 for the year ended June 30, 1999, and \$50,018.19 for the year ended June 30, 1998. The following is a schedule of future minimum rental payments required under noncancelable operating leases that have initial or remaining lease terms of more than one year at June 30, 1999:

Year Ending
June 30

2000

\$7,468.63

**Tennessee Board of Regents
Nashville State Technical Institute
Notes to the Financial Statements (Cont.)
June 30, 1999, and June 30, 1998**

Construction in Progress - At June 30, 1999, outstanding commitments under construction contracts totaled \$463,553.00 for the Nashville State Tech - Cookeville Center, which will be funded by future state capital outlay appropriations.

Litigation - The institute is involved in one lawsuit, which is not expected to have a material effect on the accompanying financial statements.

NOTE 9. PLEDGES

At June 30, 1999, unrecorded pledges totaled \$6,861.00 and were restricted to institutional uses. These pledges are due to be collected over the next fiscal year. It is not practicable to estimate the net realizable value of such pledges; therefore, they are not reflected in the accompanying financial statements.

NOTE 10. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 1998, the threshold for capitalizing equipment increased from \$500 to \$1,000. As a result of the change, equipment decreased by \$663,402.40. The cumulative effect of this change in accounting principle is reported in the accompanying financial statements as a restatement of the beginning fund balance.

NOTE 11. PRIOR-YEAR RESTATEMENT

The institute implemented GASB Statement 16, *Accounting for Compensated Absences*. As a result, the beginning fund balance for unrestricted current funds on Exhibit C was decreased by \$414,493.62, and the beginning fund balance for restricted current funds was decreased by \$55,198.05.